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## Hong Kong

## Livestock and Products Annual

### 2010

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**Report Highlights:**

U.S. pork and offal exports to Hong Kong in 2010 are expected to be \$300 million, a 5% decrease from 2009. U.S. pork meat exports to Hong Kong in 2010 are forecast to fall nearly 7 percent in terms of value to an estimated \$80 million after reaching a second record high of \$86 million in 2009. Hong Kong's domestic market is expected to maintain modest growth for U.S. pork ranging from expensive cuts like loins and ribs to commodity cuts. However, total U.S. pork meat exports to Hong Kong are expected to decline due to new Chinese policies regarding re-export trade. Trade in offals (variety meats), is expected to decrease from \$229 million in 2009 to \$220 million in 2010 also due to the expected decline of re-export trade to China.

## **Executive Summary:**

(Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>)

Hong Kong is expected to import \$870 million worth of pork meat and \$850 million of offals in 2010. While the mature domestic market is stable, the overall demand is volatile as a result of the large re-export trade that is often affected by unpredictable trade measures imposed by the importing countries. Both the pork meat and variety meat trade in the first half of 2010 witnessed growth by 5% and 19% respectively, growth is unlikely to continue at similar rate in the second half of the year due to the strengthened control of re-export trade by the mainland Chinese government. In addition, about 1.7 million live pigs valued at \$242 million are slaughtered annually in Hong Kong.

China, Brazil and U.S. are the three largest suppliers for chilled/frozen pork products. China accounted for 92% of all chilled pork supplies, which are considered as a substitute for freshly slaughtered pork. The frozen pork market is mainly a price game with China and Brazil as the two key competitors. Sourcing decision depends largely on prices. The U.S. is the largest supplier of offals, accounting for about 29% of the market share. Germany (19%) and Netherlands (10%) are two other major suppliers.

U.S. pork supplies to the Hong Kong market have been increasing steadily in recent years, with market share of U.S. pork supplies gradually expanding from 6% in 2007 to 11% in 2010. U.S. pork sales prospects in the future are promising as commodity cuts have been successfully introduced to Chinese restaurants and fast food chains in recent years; they are price competitive when compared to other competitors; and benefit from the pegged exchange rate between the U.S. and Hong Kong.

In the area of live pig supplies, local production accounts for merely 5% in terms of number. Currently there are only 43 farms left in Hong Kong with raising capacity of 75,000 head. Live pig supplies rely almost exclusively on China, which is forecast to supply 1.62 million head of live swine to Hong Kong.

## **Commodities:**

Meat, Swine

## **Production:**

In 2010 Hong Kong is forecast to slaughter 1.7 million head, a slight increase of 1.3 percent from 2009. This production figure represents slightly over 24 percent of the estimated overall pork meat supply. Although pig farming is the most important livestock sector in Hong Kong, the value of locally raised pig production was only \$17 million in 2009, representing approximately 5 percent of total domestic supplies. The majority of live hogs for slaughter come from China.

Local swine production is expected to be maintained at approximately 84,000 in 2010, as local production is restrained by land costs that are too expensive to allow for significant expansion. However, the Hong Kong government (HKG) does not have any intention of launching another round of voluntary license surrender schemes. The scheme was first introduced between 2006 and 2007 to curb pig farming on the grounds of public health and environmental hygiene. Farmers who chose to surrender their operation license were reimbursed by the HKG. As a result of the scheme, the number of farms was drastically reduced from 265 to 43. Over the long term, local production should contract as the current generation leaves the farming industry.

**Table 1. Hong Kong: Supply and Consumption of Live Pigs, in Number of Head**

	2006	2007	2008	2009	2008-2009 % change	2010 estimates
Local Supply	381,220	269,810	87,240	84,655	-3%	84,000
Imports	1,590,268	1,503,212	1,494,568	1,597,373	6%	1,620,000
Total	1,971,488	1,773,022	1,581,808	1,682,028	6%	1,704,000

Source: Hong Kong Agricultural, Fisheries and Conservation Department

China is the only country supplying live pigs to Hong Kong, contributing 94% of total supplies in terms of dressed weight and accounting for a total value of \$225 million. The average weight of Chinese pigs sold into Hong Kong is 68.8 kg compared to locally raised pigs which average 86 kg. There are only three authorized agents selling to Hong Kong, with daily supply ranging between 4500 – 4800 head, and not all farms in China are eligible to export pigs to Hong Kong. The three authorized agents have to buy from “registered farms” which have been approved by Chinese authorities to export to Hong Kong based on relevant food safety, bio-security and environmental requirements. All registered farms have to raise a minimum of 5000 pigs. Most of the registered farms operate on a large scale; with some raising as many as 600,000 head. There are 300 registered farms in China. The wholesale price of live pigs in the first five months of 2010 averaged \$2167/MT.

### **Consumption:**

Pork consumption is projected to grow less than one percent in 2010 as Hong Kong’s domestic market is mature. Despite this limited growth in the short term, pork remains the most popular meat in Hong Kong compared to beef and chicken. While traditional Chinese dietary preference accounts for the relatively lower consumption of beef when compared to both pork and chicken, pork also maintains a relative advantage over chicken. In comparing consumption patterns, although most local consumers like both pork and chicken, there are two principal factors at play. The first factor is a price advantage for pork as shown in the following table.

**Table 2. Hong Kong: Average Retail Prices of Pork Relative to Beef and Poultry, (Freshly Slaughtered), in US\$/kg**

	2007	2008	2009	2010 Jan - May	% change
Chicken (whole chicken)	7.11	8.19	9.82	9.98	2%
Beef (best quality)	8.59	11.72	12.50	12.56	0%
Beef (belly flesh)	6.60	9.09	9.82	9.85	0%
Pork (best cut)	6.01	8.11	7.23	7.10	-2%
Pork Chop	6.01	8.05	7.19	7.07	-2%

Source: Hong Kong Census & Statistics Department

Second is the fact that there is a pronounced advantage for freshly slaughtered pork over fresh chickens due to the government's policy to limit the supply of live chickens as a measure to reduce the risk of avian influenza outbreaks. In the absence of any government restriction, Hong Kong's consumption of chilled/frozen pork is relatively close to that of chilled/frozen chicken as both meats are demanded by consumers.

**Table 3. Hong Kong: Pork, Chicken, and Beef Consumption 2009,**  
By Type, in Metric Tons

	Freshly slaughtered	Chilled/Frozen
Pork	117,000	284,000
Chicken	12,000	253,000
Beef	8,000	110,000

Source: Hong Kong Agriculture, Fisheries and Conservative Department  
Hong Kong Census and Statistics Department

In terms of the types of pork products being consumed, Hong Kong consumers have been increasingly buying chilled/frozen pork at the expense of fresh pork in recent years. Fresh pork consumption reached a record high in 2001 at 165,000 MT and has since been declining over the years to 117,000 MT in 2009. In contrast, consumption of chilled/frozen pork increased 65 percent between 2001 and 2009, from 172,204 MT to 284,028 MT. The shifting trend is expected to continue in the future as consumers become more receptive to chilled/frozen meat. Price and consumers' perception of better hygiene conditions of chilled/frozen pork have been the main contributors to this emerging consumption pattern.

### **Trade:**

#### *U.S. Pork*

U.S. pork and offal exports to Hong Kong in 2010 are expected to amount to \$300 million, a 5% decrease from 2009.

U.S. pork meat exports to Hong Kong in 2010 are forecast to fall nearly 7 percent in terms of value to an estimated \$80 million after reaching a second record high of \$86 million in 2009. Hong Kong's domestic market will probably maintain modest growth for U.S. pork ranging from expensive cuts like loins and ribs to commodity cuts. Total U.S. pork exports to Hong Kong, however, are not expected to outperform the 2009 export value. Though June 2010, official statistics show that export value

increased by 32% when compared to the corresponding period of last year, but the trade has reported that exports have dropped significantly through the summer months due to new Chinese policies regarding re-export trade.

Hong Kong's re-export trade which comprises over 35% of Hong Kong's pork meat imports has decreased significantly due to new more strict Chinese policies impacting re-export trade. Since November 2004, all meat re-exports to China through Hong Kong have been required to be pre-inspected by the China Inspection Co. (CIC) in Hong Kong. A new procedure has been instituted since July 20 this year that CIC will no longer be able to endorse re-export shipments to China unless the certificates have been verified by AQSIQ Beijing. Consequently, the number of containers successfully re-exported to China via Hong Kong sharply dropped from over ~100/day to ~10/day. This new verification procedure applies not only to U.S. products but also to products from other supplying countries.

Hong Kong importers have complained about losses as thousands of containers initially destined for re-export now have been forced to remain in Hong Kong. The trade has reported that some buyers have walked out of contracts and some packers even gave away low-valued shipments because demurrage charges are so high. Given this new re-export hurdle, Hong Kong buyers will likely become more prudent when placing orders for the coming months, affecting Hong Kong pork imports in the short run, regardless of product origin.

U.S. pork supplies to the Hong Kong market has been increasing steadily in recent years, with market share of U.S. pork supplies gradually expanding from 6% in 2007 to 11% in 2010. The U.S. continues to focus on cuts like loins, ribs, and butts with the target consumers being high-end supermarkets and restaurants. However, U.S. brisket bones and offals also are very price competitive too.

In 2010 U.S. exports of offals is expected to reach \$220 million, decreasing by 4% when compared to 2009. While exports grew by 26 percent in the first half of 2010, the anticipated sluggish re-export trade in the second half of 2010 will likely countervail the remarkable growth in the first half year. The U.S. is the largest supplier of offals to Hong Kong, primarily selling front and hind feet, stomach, kidneys, hearts and tongues.

The long term forecast of U.S. pork for the market is bullish for few key factors. First, U.S. products have the advantage of the pegged exchange rate between the U.S. and Hong Kong dollars (US\$1 = HK\$7.78), when pork prices of other competitors are subject to currency fluctuation. Also, Hong Kong buyers are getting more familiarized with U.S. commodity cuts and the U.S. has successfully introduced commodity cuts to Chinese restaurants and fast food chains in recent years. As this trend continues, the U.S. pork consumption in the mass Chinese restaurants and fast food chains will likely expand. In addition, efficient U.S. farm management and meat processing and high meat-grain ratio will allow U.S. packers to offer more competitive prices for Hong Kong buyers. The commodity cuts trade is primarily determined by prices and U.S. pork is price competitive.

### *Major Suppliers*

Hong Kong imported \$881 million worth of pork meat products from the world in 2009. China, Brazil and the U.S. are the top three suppliers with a market share of 34%, 17% and 11% respectively by value in the first half of 2010. China provides \$23 million or 92% of chilled pork supplies in Hong Kong despite only starting shipments in 2006. Supplies are limited to four meat processing plants in China, which have been approved by the Hong Kong food safety authority. China's chilled pork products are meant to be a substitute for freshly slaughtered pork since they are ready for Hong Kong's retail shelves within one or two days after being processed, and are not in the same niche market of expensive U.S. pork cuts.

**Table 4. Hong Kong: Pork Imports in Value by Suppliers, in US\$ Million**

	Jan - Dec		Jan – Jun			
	2008	2009	2009	2010	Market share	% change
World	957	881	430	450	100%	5%
China	248	287	139	151	34%	8%
Brazil	193	173	95	75	17%	-21%
United States	122	86	36	47	11%	32%
Germany	75	65	29	31	7%	8%
Spain	69	62	32	34	8%	6%
Netherlands	41	30	15	14	3%	-4%
Vietnam	39	29	12	11	3%	-8%
Canada	33	20	9	11	3%	21%
Italy	21	19	9	13	3%	49%
Others	117	110	54	62	14%	14%

Source : Hong Kong Census & Statistics Department

Given the price competitiveness of China's chilled pork when compared to freshly slaughtered pork (\$2.40/lb vs \$4.40/lb), China is expected to continue to expand steadily and dominate in this market segment. Frozen pork from China is equally popular particularly among Chinese restaurants. Popular cuts include butt and fillet.

Brazilian pork declined by 21% and 30% by value and by volume respectively in the first 6 months of 2010. While Hong Kong buyers favor Brazilian pork because of leaner and better trimmed cuts, 2010 is proving to be a challenging year for Brazilian exporters to Hong Kong because of the appreciation of the Brazilian Real.

Hong Kong's offal imports in 2010 are expected to reach \$850 million, increasing by 2% compared to 2009. The U.S. is the largest supplier of offals, followed by Germany and Netherlands, contributing a market share of 29%, 19% and 10% respectively in the first six months of 2010. The European suppliers are very strong in providing hocks, neckbones and soft bones.

**Table 5. Hong Kong: Pork Offal Imports by Major Suppliers, in US\$ Million**

	Jan - Dec			Jan – June		
	2008	2009	% change	2009	2010	% change
World	870	830	-5%	387	460	19%
United States	246	229	-7%	105	132	26%

Germany	167	165	-1%	81	87	7%
Netherlands	92	90	-2%	40	47	18%
Brazil	72	81	13%	38	43	13%
Canada	86	80	-7%	39	47	21%
Denmark	45	39	-13%	20	23	15%
Belgium	33	36	9%	14	17	21%
United Kingdom	28	26	-7%	12	15	25%
Spain	32	25	-22%	12	16	33%

Source : Hong Kong Census & Statistics Department

### *Re-export Trade*

Hong Kong's re-export trade is a significant component of the overall trade. About 35% and 91% of pork meat and offal imports were re-exported, with China as the major re-export market. Hong Kong's re-export trade is very volatile depending largely on importing countries' import policy.

**Table 6. Hong Kong: Percentage of Imports being Re-exported, Jan – Jun, in Metric Ton**

	Pork	Offal
Imports	220,741	323,541
Re-export	77,755	292,843
% Re-exported	35%	91%

Source : Hong Kong Census & Statistics Department

### **Policy:**

Ractopamine is not an issue in Hong Kong. The Hong Kong food laws do not prohibit or restrict the presence of ractopamine in meat products. As such, pork trade has not been affected by this issue.

Processed meat products at the retail level are subject to Hong Kong's new nutritional labeling law effective July 2010. A Food and Agricultural Import Regulation report (FAIRS) provides a general guideline for Hong Kong's food import regulations (GAIN report #HK9018 issued in August 2009). The report is available at <http://gain.fas.usda.gov/Pages/Default.aspx>,

**Table 7. Hong Kong: Swine Meat, Production, Supply and Demand Data Statistics**

Meat, Swine	2009			2010			2011		
Hong Kong	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Slaughter (Reference)	0	0	0	0	0	0			0
Beginning Stocks	0	0	0	0	0	0			0
Production	114	114	117	116	116	119			121
Intra-EU Imports	0	0	0	0	0	0			0
Other Imports	369	345	369	370	348	370			380
Total Imports	369	345	369	370	348	370			380
Total Supply	483	459	486	486	464	489			501
Intra EU Exports	0	0	0	0	0	0			0
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Human Dom. Consumption	483	459	486	486	464	489			501
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	483	459	486	486	464	489			501
Ending Stocks	0	0	0	0	0	0			0
Total Distribution	483	459	486	486	464	489			501
CY Imp. from U.S.	21	21	28	24	24	29			32
CY. Exp. To U.S.	0	0	0	0	0	0			0
Balance	0	0	0	0	0	0			0
Inventory Balance	0	0	0	0	0	0			0
Weights	0	0	0	0	0	0			0
Production Change	4	4	4	2	2	2			2
Import Change	7	0	7	0	1	0			3
Export Change	0	0	0	0	0	0			0
Trade Balance	-369	-345	-369	-370	-348	-370			-380
Consumption Change	6	1	6	1	1	1			2
Population	7,055,071		7,055,071	7,089,705		7,055,071			7,055,071
Per Capita Consumption	68		69	69		69			71
TS=TD			0			0			0

Not Official USDA Data

Note: PS&D production figures include local and imported pigs slaughtered in Hong Kong. All numbers used in the PS&D table are in carcass-weight equivalent, using a conversion factor of 1.30. Imports are calculated as Imports minus Re-exports. Exports are calculated as Exports minus Re-exports.

**Table 8. Hong Kong: Average Wholesale Prices of Live Pigs, in US\$/Metric ton**



	2007	2008	2009	2010 Jan - May	% change
Live Pigs	2,226	2,717	2,065	2,167	5%

Exchange Rate: US\$1.00 = HK\$7.78

Source: Hong Kong Census & Statistics Department

**Table 9. Hong Kong: Pork Imports in Volume by Suppliers, in Metric Ton**

	Jan - Dec		Jan – Jun			
	2008	2009	2009	2010	Market share	% change
World	483,068	436,567	210,960	220,741	100%	5%
China	91,794	104,982	50,628	55,629	25%	10%
Brazil	72,555	76,794	42,065	29,557	13%	-30%
United States	69,516	48,305	18,327	24,277	11%	32%
Germany	54,695	43,846	20,002	21,713	10%	9%
Spain	46,550	42,335	22,008	21,256	10%	-3%
Netherlands	28,110	18,451	9,993	8,550	4%	-14%
Canada	21,495	13,854	6,565	7,416	3%	13%
Italy	14,363	13,285	6,255	9,531	4%	52%
Poland	16,301	12,228	5,203	8,802	4%	69%
Others	67,689	62,487	29,914	34,010	15%	14%

Source : Hong Kong Census & Statistics Department

**Table 10. Hong Kong: Average C.I.F. Prices of Pork by Major Suppliers, Jan – June 2008-10, in US\$/Metric Ton**

	2008	2009	2010	% change from 2009
World	1,897	2,040	2,038	0%
China	2,599	2,753	2,714	-1%
Brazil	2,547	2,249	2,523	12%
United States	1,670	1,959	1,952	0%
Spain	1,363	1,447	1,590	10%
Germany	1,303	1,447	1,439	-1%
Netherlands	1,417	1,478	1,651	12%
Poland	965	1,426	1,586	11%
Italy	1,443	1,447	1,416	-2%
Canada	1,469	1,439	1,541	7%
Vietnam	4,973	3,344	2,635	-21%

Source: Hong Kong Census & Statistics Department

**Table 11. Hong Kong: Pork Exports by Destination, Jan – June, in Metric Tons**

	2008	2009	2010	Market Share %			% change in volume Jan-Jun 09 to Jan-Jun 10
				2008	2009	2010	
World	107,363	69,524	77,851	100.00	100.00	100.00	11.98
China	88,313	31,405	58,625	82.26	45.17	75.30	86.67

Taiwan	12,729	16,807	13,449	11.86	24.17	17.28	- 19.98
Macau	3,699	4,306	3,873	3.45	6.19	4.98	- 10.06
Vietnam	2,573	16,744	1,884	2.40	24.08	2.42	- 88.75

Source: Hong Kong Census & Statistics Department

**Table 12. Hong Kong: Pork Imports by Categories, in US\$ Million**

	Jan - Dec			Jan – June		
	2008	2009	% change	2009	2010	% change
Pork	957	881	-8%	430	450	5%
chilled/fresh pork	40	49	23%	23	25	9%
frozen pork	600	489	-19%	246	247	0%
processed pork	317	343	8%	161	177	10%
Variety meat	870	830	-5%	387	460	19%

Source: Hong Kong Census & Statistics Department